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FM AMEMBASSY TOKYO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3149  
INFO RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 9401  
RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 3180  
RUEHOT/AMEMBASSY OTTAWA IMMEDIATE 9808  
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 5420  
RUEHGP/AMEMBASSY SINGAPORE IMMEDIATE 7387  
RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 4131  
RUEHNH/AMCONSUL NAHA IMMEDIATE 6465  
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 7933  
RUEHKSO/AMCONSUL SAPPORO IMMEDIATE 4662  
RUEHSH/AMCONSUL SHENYANG IMMEDIATE 0700  
RUEHIN/AIT TAIPEI IMMEDIATE 7338  
RUEAIIA/CIA WASHDC IMMEDIATE  
RUEKJCS/CJCS WASHINGTON DC IMMEDIATE  
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S E C R E T SECTION 01 OF 06 TOKYO 001162

SIPDIS

E.O. 12958: DECL: 05/20/2019

TAGS: [PREL](#) [PGOV](#) [OVIP](#) [JA](#)

SUBJECT: TOKYO SCENESETTER FOR DEPUTY SECRETARY STEINBERG

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Classified By: CDA James P. Zumwalt, reasons 1.4(b), (d).

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CANCEL TOKYO 1162 WILL RESEND UNDER NEW MRN

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should help Japan focus its limited defense resources on capabilities that will enhance the Alliance's effectiveness. Close and effective coordination in the lead-up to the North Korea Taepodong launch in April has validated the trend towards increased interoperability. Nevertheless, there are still political and business interests pressing the government to invest in expensive and duplicative satellites and offensive weapons.

I have attached a list of issues and background material for your reference. We look forward to seeing you in Tokyo.

James Zumwalt, CDA

[1](#)2. (C) Begin text of Checklist:

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DOMESTIC POLITICS  
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-- LDP Hanging On; DPJ Changes the Guard: Four months ago public support for Prime Minister Taro Aso was approaching record lows, threatening to trigger moves to unseat him within his own ruling Liberal Democratic Party (LDP). But the emergence of scandal allegations involving opposition Democratic Party of Japan (DPJ) leader Ichiro Ozawa in March

has since boosted support for Aso's administration. Early indications are that Ozawa's resignation and his replacement by Yukio Hatoyama may improve the public's view of the DPJ, but Aso has used his advantage over the past three months to demonstrate leadership and make progress on most of his key legislative goals. Aso's domestic focus for the rest of the Diet session will be to demonstrate the impact of his legislative efforts on Japan's ailing economy, an effort that will require him to extend the term into July. The DPJ has never been closer to ending more than half a century of LDP domination, but most members realize this may be their last chance, and they have a history of self-destructing.

-- DPJ Friend or Foe?: Significant ideological differences within the party make it difficult to predict the impact on bilateral relations under a DPJ government. Your meeting with DPJ President Hatoyama will continue the process begun by the Secretary of building stronger ties to the party and helping to moderate its views. Despite its critical stance on a number of Alliance-related issues, the DPJ will seek positive relations with Washington and will likely steer clear redlines we lay down on core issues. In this context, it will be useful to reiterate Secretary Clinton's message to former DPJ President Obama on our commitment to implement the realignment of U.S. forces.

-- Political Realignment in the Offing?: A general election must be held by this fall. We assess that neither the LDP nor the DPJ will receive sufficient votes to avoid the necessity of a weak coalition government. Voters are disillusioned after three years of political gridlock, and some may choose the DPJ as a protest. Others will be driven to vote for change by the worsening economy. Over 40 percent of Japan's electorate is in the undecided category. Continuing political grid-lock may lead to an eventual realignment of political forces.

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ECONOMIC DOWNTURN  
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-- Priority One - The Economy: PM Aso's top priority is implementing economic and fiscal measures to strengthen the domestic economy during the current global economic downturn in advance of the coming election. On April 10, Aso announced a supplemental budget of \$154 billion dollars in

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government expenditures, projected by USG estimates to generate 1.9 percent of GDP in new real demand. The package's objective is the return of the economy to a sustainable growth path by fiscal year 2010.

-- Will Stimulus Work?: Aso explicitly described his latest stimulus plan as Japan's response to the G-20 Leaders' call for "concerted fiscal expansion." However, Japan-based economists fear some new spending in the April 10 stimulus package may be poorly targeted. The DPJ agrees with the need for fiscal stimulus but is contesting individual elements of the package, which could delay passage of the bill until late June and the ultimate impact of the stimulus into the fall.

-- Cooperation Critical: Your counterparts will use your visit to demonstrate close coordination with the United States in jump-starting the world economy. Japan's current economic contraction is due to the collapse of global demand, not a domestic financial crisis. The medium-term economic outlook is gloomy with rising unemployment, declining business confidence, and weak global demand for Japanese exports. Marking the steepest drop since the end of WWII, the country's real GDP fell 15.2 percent on an annualized basis from the previous quarter for the January-March 2009 period due falling business investment, private consumption, housing investment, and net exports. The crisis has reinforced the need for Japan to shift more decisively toward domestic demand-led growth, but domestic economic and

structural reform efforts have stalled under Prime Ministers Aso, Fukuda and Abe.

-- U.S. Actions: Japanese banks and financial institutions had little sub-prime market exposure and corporate and banking balance sheets are generally sound, the practice of holding corporate equities among their assets, combined with a 50 percent decline in domestic share prices over the past year has forced many financial firms to book large losses. Companies such as Toyota and Sony have recorded operating losses, pared employment rolls, and extended factory holidays in an effort to quickly slash inventories and costs. These same companies, however, are aggressively shifting production, and restructuring in an effort to return to profitability, but Japanese corporate leaders readily admit that Japan's economic fortunes are tied to a U.S. economic recovery.

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BI-LATERAL AND SECURITY ISSUES  
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-- Support for Alliance: Many Japanese are becoming more concerned about the state of our bilateral relationship due to uncertainty about our China policy and lingering disappointment with our decision to delist North Korea as state sponsor of terrorism. But while pacifism remains deeply ingrained in Japan, there is an emerging consensus among the public and opinion makers -- due to the DPRK threat and the PRC's growing power projection capabilities -- that the U.S.-Japan Alliance is vital to Japan's national security. Our bilateral security ties remain strong and were reaffirmed by Secretary Clinton in February when she signed the Guam International Agreement (GIA) on the realignment of U.S. Forces, which commits Japan to complete the relocation of Futenma Marine Corps Air Station on Okinawa and to provide funds for USMC-related facilities on Guam.

-- Defense Spending: We need to continue to encourage Japan to take on a greater role in its own defense. Japan is now compiling its National Defense Program Guidelines (NDPG) and 5-year Mid-Term Defense Plan. These policy reviews offer us a chance to influence the future shape of Japan's defense posture. In addition to encouraging greater defense

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spending, enhanced information security, and broader legal authority to the Self-Defense Forces, we are encouraging Japan to focus on deepening operational capabilities in ways that will enhance our Alliance's deterrent value, including long-range lift, ballistic missile defense (BMD), sustainment, and maritime operations.

-- Information Security: The U.S. and Japan established a Bilateral Information Security Task Force (BISTF) in 2007 in the wake of the unauthorized disclosure of Aegis operational data by a Japanese MSDF member. Since that time, Japan has made progress towards strengthening information security procedures within its ministries, but much work needs to be done on cyber security and establishing a legal framework to allow for effective background investigations and security clearances. The State Department co-chairs the BISTF with DOD and ODNI at the DAS-level.

-- TIP: Your visit will coincide with the release of the annual Trafficking in Persons Report Tier Rankings, a potential irritant to our bilateral relationship. G-TIP has once again slated Japan to be ranked as a Tier Two country, despite the fact that Tokyo has met or exceeded all of the requirements earlier set by Washington. Senior Japanese officials have repeatedly warned that they will cease cooperating with us on the issue, having determined that our ranking system is not objective, not applied equally across countries, and poorly substantiated. Greater confrontation over this issue will not help us achieve our goals regarding trafficking in Japan. Quite the opposite, by recognizing

Japan's substantial achievements, you can elevate our relationship to a true partnership in resolving this problem worldwide.

-- Child Porn: On a related topic, a bill to criminalize the possession of child pornography has been slow to move through the Diet, due to concerns over privacy issues. An expression of interest on your part in the progress of this legislation could refocus efforts by supporters of the bill to gain passage before the end of this session.

-- IAEA Election: International Atomic Energy Agency (IAEA) Director General: Japan continues to strongly advocate on behalf of its candidate for IAEA Director General, Ambassador Yukio Amano. The GOJ is coordinating closely with the USG in Washington, Vienna, and Tokyo on outreach to key countries, and has expressed appreciation for continued U.S. support of Amano.

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FOREIGN RELATIONS  
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-- Afghanistan/Pakistan: In April, Japan hosted the ministerial-level Pakistan Donors Conference, which garnered over five billion dollars in pledges. Japan matched our contribution, pledging one billion dollars in new funds over two years. In Afghanistan, Japan is working more closely with the PRTs, assigning a full-time liaison officer to NATO's office in Kabul and dispatching the first of what will eventually be four officials from the Ministry of Foreign Affairs (MOFA) to the Lithuanian PRT in Chaghcharan. With \$1.4 billion dollars pledged since 2002, Japan is the third highest bilateral contributor (behind the United States and the United Kingdom) to Afghanistan. An additional \$300 million dollars in the supplemental budget will support the 2009 Afghan elections and other security programs, including payment of salaries for the entire Afghan police force for six months and contributions to the NATO helicopter trust fund.

-- Iraq: Japan is the second largest contributor to Iraqi

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reconstruction and is moving to establish an office in Erbil.

In January the two countries signed a "Comprehensive Partnership" agreement, and Japan can be counted on to continue to support Iraqi reconstruction.

-- Iran: Japan maintains a "normal" relationship with Iran and sees itself as a possible intermediary between Iran and the United States. Shortly after Iranian Foreign Minister Mottaki visited Tokyo for the Pakistan Donors Conference, Foreign Minister Hirofumi Nakasone traveled to Tehran, despite our urging to the contrary. In meetings with Mottaki and President Ahmadinejad, Nakasone pressed hard for a favorable response to President Obama's overtures, and also sought the release of Roxana Saberi. He urged Iran to play a more "responsible" role, but did not raise Ahmadinejad's racist remarks in Geneva or Iran's support for Hizbollah and Hamas. Japan and Iran have announced their intention to engage in several joint projects pertaining to Afghanistan, including border cooperation and the training of Afghan refugees in Iran who are preparing to return home.

-- North Korea: Discussions on the situation in North Korea and the status of the Six-Party Talks will be a constant theme during your visit and will draw widespread press attention. Japan remains exceedingly uneasy about the DPRK, particularly in light of the most recent test launches, and our policy and will want assurances that we are still in sync. You will be expected to express concern for the fate of Japanese citizens abducted by the DPRK, and your words will be parsed carefully for any clues to potential changes in our approach. The government remains firm in its refusal to provide energy assistance to Pyongyang as long as the DPRK's August 2008

pledge to open a reinvestigation into the fate of Japan's abductees remains unfulfilled.

-- China: Japan's relations with its other immediate neighbors are generally stable, although problems persist just beneath the surface. Prime Minister Aso has been successful in defusing, for the time being at least, the sharp conflicts over history that damaged relations with China during the Koizumi years and has successfully led the first Trilateral Dialogue with Japan-China-Korea and won agreement from Beijing to re-start Japan's version of the SED after a long hiatus. While Japanese acknowledge that good U.S.-China relations are in Japan's interest, they also fear that the United States will discount Japan's interests in pursuit of more robust relations with China. Japan has been sensitive to recent Chinese actions around the disputed Senkakus and has sought explicit U.S. reassurance on our commitment to aid Japan in the case of an attack on the islands.

-- South Korea: Territorial disputes over the Liancourt Rocks (Takeshima/Tokdo) remain an irritant to relations with South Korea, but both sides have expressed a desire to build a Japan-ROK relationship that is "different from the relationship up until now." Prime Minister Aso and ROK President Lee Myung-bak have struck up a particularly good personal relationship, and the pace of "shuttle diplomacy" has picked up markedly since Aso took office.

-- Climate Change: Japan is an enthusiastic supporter of the Major Economies Forum and has been eager to engage Special Envoy Stern and his team on coordination of our efforts in the MEF and the UN. The aim for Japan is to achieve an agreement in Copenhagen that the U.S. can be a part of and one that includes meaningful actions by developing countries, especially China and India. To do this, the GOJ will have to bring along the Japanese business association, Keidanren, which, influenced by Japan's heavy industry, has opposed serious efforts to reduce Japan's emissions even though many Japanese companies stand to benefit from the move to a green

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economy. Prime Minister Aso has said he will announce a mid-term target for greenhouse gas reduction by this June, which will be a test of his ability to navigate between business interests and a popular desire in Japan to take action on climate change.

ZUMWALT